

IRS releases 2020 limits for deferred compensation arrangements and certain welfare plans.

| | <u>Applicable period</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|---|-------------------------------------|-------------------------------------|-------------------------------------|
| Individual deferral limit 401(k), 403(b), and 457(b) | Calendar year, regardless of plan year | \$19,500 | \$19,000 | \$18,500 |
| Age 50 Catch-up deferral limit 401(k) and 403(b) | Calendar year, regardless of plan year | \$6,500 | \$6,000 | \$6,000 |
| Maximum compensation | Use limit as of 1 st day of plan year | \$285,000 | \$280,000 | \$275,000 |
| Highly compensated employee | Plan year based on “lookback” year. See note below. | \$130,000 | \$125,000 | \$120,000 |
| Key employee (officer) | Plan year. See note below | \$185,000 | \$180,000 | \$175,000 |
| Defined contribution 415 limit | Use limit as of last day of plan year | \$57,000 | \$56,000 | \$55,000 |
| Defined benefit 415 limit | Use limit as of last day of plan year | \$230,000 | \$225,000 | \$220,000 |
| Healthcare flexible spending | Use limit as of 1 st day of plan year | \$2,750 | \$2,700 | \$2,650 |
| HSA contribution limits: Self-only Family | Calendar year | \$3,550 \$7,100 | \$3,500 \$7,000 | \$3,450 \$6,900 |
| High Deductible Health Plan minimums/out of pocket maximums: Self-only Family | Calendar year, regardless of plan year | \$1,400/\$6,900 \$2,800/\$13,800 | \$1,350/\$6,750 \$2,700/\$13,500 | \$1,350/\$6,650 \$2,700/\$13,300 |
| Transportation fringe benefit limit | Calendar year, regardless of plan year. See note below. | \$270 per month | \$265 per month | \$260 per month |
| Social Security (OASDI) taxable wage base | Calendar year | \$137,700 | \$132,900 | \$128,400 |

Notes:

Lookback year: *Highly compensated employees (“HCEs”) are determined based on their compensation in a “lookback year.” The lookback year is the previous plan year. For a 2020 calendar year plan, HCE status will be based on whether the employee’s 2019 compensation exceeded the 2019 amount of \$125,000. For fiscal year plans, the “lookback year” will either be the previous plan year or, if elected on a consistent basis for all of an employer’s plans, the calendar year ending in the current plan year.*

Transportation benefits and new tax rules: *This fringe benefit is for transit passes, qualified parking, and transportation in a commuter highway vehicle. The 2018 Tax Cuts and Jobs Act (“TCJA”) eliminated employer tax deductions for this benefit (except for employee safety concerns). If provided, the benefits continue to be tax-free for employees except for bicycle commuting allowances. Tax exempt employers will need to report expenditures for these excludable benefits as unrelated taxable income, which is onerous for those who have never filed Form 990-T.*

Massachusetts tax payers should also remember: qualified commuting expense exclusion is limited to \$145 per month, with the \$270 per month adjusted amount applicable only to parking (these figures are estimated based on prior years’ indexing, so check back for updates). Additionally, Massachusetts does not allow the federal qualified bicycle commuting reimbursement. The disallowance of employer deduction for excludable expenses should also not apply to Massachusetts businesses, but check with us for more guidance.

Key employees. *In addition to 5% owners, and 1% owners earning \$150,000 or more, officers earning more than an indexed amount are key employees. Key employee balances as of the last day of a previous plan year are considered, with certain distributions, in determining a plan’s top heavy status for a current year.*

You can find these and other recently announced 2020 limits in [IRS Notice 2019-59](#) and [Rev. Proc. 2019-44](#).

To see how these numbers have progressed over time, [check out this link](#).